



# State of Utah

*School and Institutional*  
TRUST LANDS ADMINISTRATION

Michael O. Leavitt  
Governor

David T. Terry  
Director

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FEB 29 2000

DIVISION OF  
OIL, GAS AND MINING

February 18, 2000

Mr. Carl Younger  
Vice President and Senior Counsel  
PCS Phosphate Company, Inc.  
3101 Glenwood Avenue  
P.O. Box 30321  
Raleigh, North Carolina 27622-0321

Re: Acceptance of Replacement Surety for Moab Salt, Inc./Release of PCS Phosphate Company, Inc.

Dear Mr. Younger:

The School and Institutional Trust Lands Administration (the "Trust Lands Administration") understands that PCS Phosphate Company, Inc. ("PCS") has entered into an agreement to sell the stock of Moab Salt, Inc. ("MSI") to Intrepid Oil & Gas, LLC ("Intrepid").

MSI owns and operates a potash and salt mine northwest of Moab, Utah. MSI is the lessee of record of State of Utah Mineral Leases U0-13167-ST, U0-486-ST, U0-10797-ST, U-16133-ST, ML 9638, UT 18249-ST, ML-11800, and U0-13223-ST (the "Leases"), which are subject to that certain Unit Agreement dated effective January 1, 1995 for the Development, Operation and Production of Potash. MSI acquired record title to the Leases by assignment dated February 8, 1988, from Texasgulf Inc. Texasgulf Inc. subsequently became PCS by corporate name change. MSI owns approximately 3,677 acres of fee surface within the boundaries of, and adjacent to, the Leases.

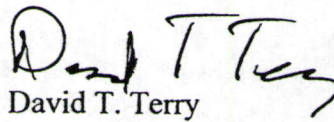
The Trust Lands Administration has received an acceptable replacement surety from MSI, Bond No. [REDACTED], dated January 24, 2000, in the amount of \$25,000, with Moab Salt, Inc. as principal and Lyndon Property Insurance Company as surety. By this letter, effective as of February 18, 2000, the Trust Lands Administration approves the release of Bond No. [REDACTED] and accepts the above-referenced replacement bond in satisfaction of the respective lease's bonding requirements.



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In recognition that PCS is neither the operator nor lessee of record at the MSI mine, and that PCS is neither a principal nor a guarantor of bonding and reclamation obligations under the Leases, the Trust Lands Administration further recognizes that PCS and its officers, directors and affiliates (excluding MSI) are released from any and all reclamation obligations under the Leases. MSI and the provider of its surety are the parties responsible for bonding and reclamation obligations to the Trust Lands Administration relating to the Leases. With respect to other Lease obligations, the Trust Lands Administration recognizes that PCS is released from all such obligations, including royalty and rental commitments, arising under the Leases, effective as of the date that the assignment of the Leases to MSI is approved.

Sincerely,

  
David T. Terry  
Director

cc: Thomas B. Faddies  
Will Stokes  
Blaine Rawson - Holme, Roberts & Owen  
Ted Grandy - Parsons, Behle & Latimer  
Moab Salt, Inc.  
Intrepid Oil & Gas, LLC

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